

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 EB-07 COME-00 TRSE-00 OMB-01 STR-04 FEA-01

OES-03 INT-05 CIEP-01 SAM-01 (ISO) W

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R 221300Z JAN 76

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 5256

INFO AMEMBASSY ABU DHABI

AMEMBASSY BAGHDAD UNN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY TOKYO

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EO 11652: NA

TAGS: EGEN, USIRJC, ENRG, ETRD, EINV, PFOR, JA, IR

SUB: JAPANESE MINISTER KOMOTO'S VISIT TO TEHRAN - JANUARY 5-7

REF: TEHRAN 0230

1 LOCAL JAPANESE EMBASSY AND BUSINESS CONTACTS HAVE PROVIDED INFORMATION CONCERNING JAPANESE MINISTER OF INTERNATIONAL TRADE AND INDUSTRY TOSHIO KOMOTO'S JAN 5-7 VISIT TO TEHRAN, WHICH SUPPLEMENTS AND CLARIFIES THAT REPORTED IN REFTEL. EMBASSY OFFICIALS SAID THEY WERE PLEASED WITH THE RESULTS OF KOMOTO'S VISIT BUT CLAIM NO KNOWLEDGE OF BROAD POLICY DISCUSSIONS WITH THE GOI. PRIOR TO THE VISIT THEY EXPRESSED THE EXPECTATION THAT KOMOTO WOULD WISH TO ENGAGE THE GOI IN PHILOSOPHICAL DIALOGUE CONCERNING BILATERAL AND THIRD WORLD ECONOMIC INTERESTES. THE TWO GOVERNMENTS DID AGREE TO HAVE A FREQUENT EXCHANGE OF VISITS

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AT THE MINISTERIAL LEVEL.

2. NEWSPAPER COVERAGE OF THE VISIT SAW THE BILATERAL ANNUAL TRADE TARGET OF \$15 BILLION BY 1980 PLACING JAPAN SECOND ONLY TO THE US IN BILATERAL TRADE BY 1980. (NOTE: THIS TARGET INCLUDES OIL AND GAS, WHEREAS OIL IS EXCLUDED IN IRAN/US TRADE TARGETS ESTABLISHED BY THE JOINT COMMISSION.) JAPANESE EMBASSY CONTACTS SAID BILATERAL TRADE WAS \$5.7 AND \$6.8 BILLION RESPECTIVELY IN 1974 AND 1975. AREAS OF COLLABORATION AND JOINT INVESTMENT WERE IDENTIFIED IN THE PRESS CONFERENCE HELD BY GOI MINISTER OF ECONOMIC AFFAIRS AND FINANCE ANSARY AND MINISTER KOMOTO. THEY INCLUDED ELECTRONICS, SUPER MARKETS, DEPARTMENT STORES, CITY PLANNING AND HOUSING. JAPANESE EMBASSY CONTACTS SAID THEY HAD NO DETAILS CONCERNING ANY OF THESE INTENDED JOINT VENTURES IN IRAN AND, ALTHOUGH THERE HAD BEEN AGREEMENT TO DISCUSS FURTHER THESE PROPOSALS, THERE WERE NO OFFICIAL EXCHANGES PLANNED YET.

3. WHEN ASKED IF MINISTER KOMOTO RAISED WITH THE GOI ANY PROBLEMS OF JAPANESE INVESTMENT IN IRAN, OUR JAPANESE EMBASSY CONTACTS SAID NO, SINCE NO PROBLEMS EXIST. THEY EXPLAINED, SAYING THAT JAPAN IS TOO NEW TO IRAN TO HAVE INVESTMENT WHICH QUALIFIES UNDER THE SHAH'S DIVESTITURE PROGRAM, NO PROPOSED INVESTMENTS HAVE BALKED AT THE NEW FOREIGN EQUITY CEILINGS AND DUE TO JAPAN'S BALANCE OF PAYMENTS PROBLEM OF RECENT YEARS THERE HAS BEEN LITTLE NEW PRIVATE JAPANESE INVESTMENT HERE. CONTACTS SAID SOME JAPANESE EXPORTS TO IRAN HAVE BEEN ADVERSELY AFFECTED DUE TO THE GOI'S PROFIT LIMITATIONS ON IMPORTED GOODS (I.E., GENERALLY 15 PERCENT OVER LANDED COST), BUT THIS ISSUE WAS NOT RAISED DURING KOMOTO'S VISIT.

4. CONCERNING THE HIGHLY TOUTED 500,000 B/D EXPORT REFINERY IN IRAN(PARA 1, REFTEL, A JAPANESE EMBASSY OFFICIAL SAID JAPAN WOULD FIND IT DIFFICULT IF IT HAD TO EXPEDITE THE PROJECT NOW. CONFIRMING OUR SKEPTICISM CONCERNING THE JAPANESE INTENTION TO FOLLOW THROUGH WITH THIS PROJECT IS THIS OFFICIAL'S COMMENT CONCERNING THE AGREEMENT TO DISCUSS FURTHER THE PROJECT, I.E., "BUT MAYBE IF DISCUSSION TAKES FOUR OR FIVE YEARS JAPAN WILL NEED THE OIL FROM REFINERY."

5. JAPANESE EMBASSY OFFICIALS HAVE FREQUENTLY MENTIONED IN LIMITED OFFICIAL USE

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CONVERSATION WITH US THAT THEY WOULD LIKE TO SEE DEVELOP A RELATIONSHIP WITH THE GOI WHICH WOULD PERMIT MINISTERIAL-LEVEL CONTACTS WITHOUT THE NEED FOR THE GOJ TO "BRING SOUVENIRS" AND ANNOUNCE THE SPECTACULAR. THEY ARE AWARE THAT JAPAN IS ALMOST ALONE AMONG IRAN'S TRADING PARTNERS IN LACKING A JOINT MINISTERIAL COMMISSION OR EVEN A JOINT BUSINESS COUNCIL AND THEY SAY THEY DO NOT KNOW THE BASIS FOR THIS GOJ POLICY. THEY DO NOTE THAT JAPAN, TO THEIR KNOWLEDGE, HAS FORMAL MINISTERIAL COMMIS-

SIONS ONLY WITH PACIFIC AREA COUNTRIES. THE AGREEMENT DURING KOMOTO'S VISIT TO HAVE FREQUENT MINISTERIAL-LEVEL EXCHANGES DOES AT LEAST RESPOND TO THE DESIRE EXPRESSED BY OUR JAPANESE CONTACTS FOR THE DEVELOPMENT OF REGULAR, POLICY-LEVEL BI-LATERAL CONTACTS OF A MORE ROUTINE NATURE AND SHOULD HELP OVERCOME THEIR CONCERN THAT THE ONLY TIME TOKYO'S "BIG GUNS" WERE AIMED AT OR SENT TO TEHRAN WAS WHEN SOME BUSINESS DEAL OF A LARGE JAPANESE FIRM WAS AT STAKE.

JYX THE IRAN-JAPAN PETROCHEMICAL COMPANY: JAPANESE BUSINESS SOURCES TELL US THAT IJPC COMPROMISE WORKED OUT DURING RECENT VISIT OF MITI MINISTER KOMOTO IS AS FOLLOWS: JAPANESE SIDE WILL CONTRIBUTE 250 BILLION YEN (ABOUT \$820 MILLION) IN CREDITS AND 50 BILLION YEN (ABOUT \$164 MILLION) IN EQUITY FOR TOTAL OF 300 BILLION YEN. IRAN WILL CONTRIBUTE 200 BILLION YEN (\$656 MILLION) IN LOANS AND 50 BILLION YEN IN EQUITY, FOR ESTIMATED TOTAL PROJECT COST OF 550 BILLION YEN OR ABOUT \$1.8 BILLION. IRANIAN CREDITS APPARENTLY WILL COME FROM CENTRAL BANK. JAPANESE CREDITS APPARENTLY WILL COME MOSTLY OR ENTIRELY FROM JAPAN'S EXPORT-IMPORT BANK. THE JAPANESE CREDIT IS DIVIDED INTO FOUR LOANS AS FOLLOWS:

(A) AN EXPORT CREDIT TO THE GOI OF 28.8 BILLION YEN (\$94.4 MILLION) WHICH IS IN EFFECT GUARANTEED BY GOI.

(B) A DIRECT LOAN TO NPC OF 60 BILLION YEN (\$196.7 MILLION) WHICH JAPANESE CONSIDER IN EFFECT ALSO GUARANTEED BY GOI, SINCE NPC IS WHOLLY-OWNED GOI COMPANY.

(C) AN "INVESTMENT LOAN" TO THE IRAN CHEMICAL DEVELOPMENT COMPANY (THE IRANIAN CORPORATION WHICH IS NPC'S PARTNER IN IJPC AND WHICH IS OWNED BY THE MITSUI-LED CONSORTIUM OF JAPANESE COMPANIES,) OF 125 BILLION YEN (\$410 MILLION). THIS LOAN IS NOT GUARANTEED BY GOI. LIMITED OFFICIAL USE

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(D) A SUPPLIER'S CREDIT TO IJPC OF 36.2 BILLION YEN (\$118.7 MILLION) WHICH IS GUARANTEED BY NPC. THE PROJECT TOTAL OF 1.8 BILLION DOLLARS IS, WE UNDERSTAND, LOWER THAN THE TOTAL CURRENT ESTIMATED COST OF THE IJPC PROJECT. APPARENTLY IJPC AND ITS OWNERS INTEND TO DEAL WITH PREDICTED COST OVERRUN AS THEY WOULD HAVE TO DEAL WITH UNFORESEEN OVERRUNS: THEY WILL CROSS THAT BRIDGE WHEN THEY COME TO IT. HELMS

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